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October 7, 2005

**J. William Ingraham, Director**  
Department of Airports  
825 East Third Street  
San Bernardino, CA 92415-0831

**SUBJECT: MANAGEMENT LETTER – COUNTY SERVICE AREA NO. 60 -APPLE  
VALLEY AIRPORT, FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

In compliance with Section 26909 of the California Government Code, we have audited the general purpose financial statements of the County Service Area No. 60 - Apple Valley Airport for the fiscal year ended June 30, 2005 and have issued our report thereon dated October 7, 2005. In planning and performing our audit of the financial statements, we considered internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. However, we noted certain matters involving internal controls and their operation, which are presented for your consideration.

We do not consider the matter to be a reportable condition under the standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We have not considered internal controls since the date of our report.

These comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal controls or result in other operating efficiencies and are summarized as follows.

## **STATUS ON PRIOR RECOMMENDATIONS**

Prior Finding One from June 30, 2004 report has been corrected. Our recommendation for further action regarding the recurring prior finding is shown below.

**Prior Finding Two (January 2005):** Cash handling duties were not properly segregated.

### **Prior Recommendations**

Reassess staff's duties so that duties are segregated. No individual should be responsible for both preparing and approving bank deposits, and the individual who prepares the deposits should not be solely responsible for the reconciliation of the deposit to the FAS Revenue Reports. If needed, refer to the County's Internal Controls and Cash Manual for guidance.

### **Current Status**

The same District employee prepares, approves and makes the deposit, approves all reconciliations over receipts. Another District employee posts accounts receivable and reconciles the bank deposit to the mail receipts and the posted accounts.

### **Further Recommendations**

Develop written procedures that properly segregate duties by separating the execution of transactions from the authorization of transactions so that no one person is assigned concurrent duties that would allow him or her complete control over a transaction. Separate lower-level functions such as preparing and performing the deposit from higher-level functions such as approving the deposits and reconciliations. Also, separate the posting of the accounts receivable from the reconciliation of the bank deposit to the mail receipts and the posted accounts.

### **Management's Response**

Written procedures have been put into place that segregate duties so that receipts are logged by the Department of Airports receptionist with the log used by a fiscal clerk to post appropriate entries to accounts receivable. The department executive secretary prepares and makes deposits and the fiscal clerk prepares distribution documents. The department's staff analyst verifies and approves the deposit and distribution. The fiscal clerk and staff analyst reconcile the deposits to FAS reports.

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We wish to thank the management and staff for their full cooperation during the audit.

Respectfully submitted,

**Larry Walker**  
Auditor/Controller-Recorder

By: **Howard M. Ochi, CPA**  
Chief Deputy Auditor

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